

April 8, 2009

MEDIA, PA—On April 8, 2009, Congressman Joe Sestak (PA-07) visited the DaVita dialysis center at Riddle Hospital to tour the facility, visit with patients and staff, and discuss his legislative efforts to support kidney treatment with the center's directors. In July, Congressman Sestak helped override President Bush's veto of H.R. 6331, the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), which provides greater assistance to beneficiaries who are most in need and ensures that Medicare recipients receive quality care by addressing the needs of those who provide health care products and services.

"I supported H.R. 6331 because I recognize the need to reform Medicare comprehensively," said Congressman Sestak. "We not only improved access to care for seniors and the disabled, but have also created a system that is fairer to doctors, pharmacists and equipment suppliers, all under a pay-as-you-go government that helps eliminate waste in federal spending."

H.R. 6331, includes provisions that deal with the impact of healthcare costs on Medicare physicians, who were scheduled to receive a 10.6 percent payment cut based on a formula established by Congress in 1997 to control costs. Acknowledging that if doctors are not paid fairly there are fewer services available to patients covered by Medicare, this bill eliminates the scheduled pay cut for 2008 and increases physician payments by 1.1 percent for 2009.

In addition, physicians receive greater incentives to implement practices that will lead to higher quality care and fewer errors. This act extends for two years the Physician Quality Reporting Initiative (PQRI), under which physicians report back to Medicare on their compliance with a standard set of quality measures. Incentive payments to physicians for this reporting are raised by two percent. Another measure requires physicians to submit their prescriptions to pharmacies electronically to prevent medication errors and reduce avoidable health problems. Increasing payments to physicians who use qualified e-prescribing systems and comply with PQRI represents an additional way that this legislation focuses on preventing health complications for Medicare patients to reduce costs in the long term.

This bill includes approximately \$4.5 billion to directly assist Medicare recipients in affording better care, and helps beneficiaries identify medical conditions or risk factors earlier by expanding preventive services not currently covered by Medicare.

This legislation also helps more low-income seniors access the subsidies and assistance that make Medicare more affordable. For example, this bill addresses the fact that seniors who fail to enroll in the Medicare drug benefit in a timely manner are currently penalized with a premium that lasts the rest of their lives. The bill allows a special enrollment period for low-income seniors and people with disabilities to choose a drug benefit plan, or sign up for a private Medicare plan with drug coverage. Furthermore, the bill increases the amount of assets that low-income beneficiaries can have and still qualify for financial help with Medicare costs; extends and improves low-income assistance programs for Medicare recipients whose income is below \$14,040; and allocates \$25 million to State and local programs that help individuals understand Medicare, to allow organizations to increase their outreach to low-income beneficiaries.

H.R. 6331 also addresses the following limitations in the Medicare system:

+Kidney Care Patients

-Under existing law, Medicare pays dialysis facilities one lump sum payment reflecting most items and services needed to treat these patients, but pays several additional separate payments for certain drugs and laboratory services that are equally important to treatments.

-H.R. 6331, the “Medicare Improvements for Patients and Provider Act of 2008” (MIPPA) will modernize Medicare payments for dialysis services by “bundling” all the costs of ESRD care into a single payment, implementing longstanding recommendations from the Medicare Payment Advisory Commission (MedPAC) and the Government Accountability Office (GAO). Modernization of the payment system will remove incentives for facilities to overuse items and services that are currently separately billed. This change is critically important, as the existing system includes a perverse financial incentive to dose higher levels of the anti-anemia drug, Epogen, which can put patients at risk of death and serious cardiovascular events. The new system will protect patients while incentivizing more efficient provider behavior, consistent with the philosophy governing many of Medicare’s other payment systems.

+Paying for Improvements to Medicare

-This legislation is fully paid for by two Medicare Advantage offsets. The costs are bundled by CBO, Ways and Means and Energy and Commerce. The total amount through 2013 equals \$12.5 billion.

-The bill phases out the Indirect Medical Education program under Medicare Advantage, which provides special payments to teaching hospital, as each time a Medicare beneficiary is admitted to a teaching hospital, the facility receives an Indirect Medical Education (IME) payment to defray the cost of educating doctors and providing more sophisticated care. But the current reimbursement rate for Medicare Advantage plans is also adjusted upward to reflect IME

payments made by Medicare at the local level. Medicare Advantage plans get a higher payment for every enrollee, whether enrollees ever receive care at such facilities or not. MA plans are not required to pass the payment along to teaching hospitals at any time. The Medicare Improvements for Patients and Providers Act eliminates the needless double payment, still reimbursing the teaching facility directly for the higher cost of care, but eliminating the second payment, the IME adjustment in Medicare Advantage rates.

-Furthermore, the bill requires private fee-for-service plans to form networks with health care providers, thereby reducing costs by slowing the rate of the growth of such plans. Federal spending for private Medicare Advantage (MA) plans - including health maintenance organizations, preferred provider organizations, and private fee-for-service plans - has grown rapidly since Congress increased payments for MA in the Medicare Modernization Act of 2003. The Congressional Budget Office estimates that overpayments to Medicare Advantage plans cost taxpayers \$150 billion over 10 years. They are paid at a rate 13 percent higher than traditional Medicare fee-for-service providers. Private fee-for-service plans, in particular, get a special deal that costs taxpayers and beneficiaries alike. They are not required to have contracts with hospitals or doctors, which causes confusion for Medicare beneficiaries and providers. They are also exempt from reporting quality measures that contribute to efficiency in care.

-Under this bill, private fee-for-service plans will be required to have contracts with hospitals and providers. The Congressional Budget Office (CBO) projects that this safeguard for seniors will stop the skewing of growth in Medicare toward uncontrolled, overpaid private plans that currently do not always guarantee beneficiaries access to doctors and hospitals. The Medicare bill will get rid of the special network exemption for private fee-for-service plans by 2011. This change will only apply to plans in areas with two or more non-PFFS plan choices.

+Durable Medical Equipment Suppliers

-As part of this bill's comprehensive approach, it takes into account concerns of durable medical equipment suppliers regarding the bidding process for their products established by the Centers for Medicare and Medicaid Services. Beneficiary advocates indicated that the way in which the program was initially implemented threatened access to certain items or could reduce the quality of goods and services. Thus, this legislation terminates contracts awarded during the first round of bidding, which took place in certain regions, and restarts the process in those areas in 2009. Among the provisions to ensure a more effective process, the House bill requires CMS to notify bidders about paperwork discrepancies and give suppliers an opportunity to submit the proper documentation within a reasonable time frame; and establishes a separate ombudsman within CMS to handle issues related to the competitive bidding program.

+Pharmacies

-This legislation addresses needs of pharmacies that serve Medicare patients who receive medication through the program's drug benefit, known as Part D. The House bill makes it easier for pharmacies to work with private insurance plans. For instance, Part D drug plans would be required to pay pharmacies within 14 days for properly completed claims that are filed

electronically, and within 30 days for claims submitted otherwise. If Part D plans fail to pay promptly, the plan would be required to pay the pharmacy interest on the owed amount. In addition, pharmacies that are located in or provide services to long-term care facilities would be guaranteed that they would have no less than 30 days and no more than 90 days to submit their claims for reimbursement to the drug plans; and Part D drug plans would be required to update their prescription drug pricing standard no less frequently than every seven days.

DaVita provides dialysis services for those diagnosed with chronic kidney failure, a condition also known as chronic kidney disease (CKD). They have over 1,400 outpatient dialysis facilities and acute units in over 700 hospitals, and are located in 43 states and the District of Columbia, serving approximately 110,000 patients.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the U.S. Congress.

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